

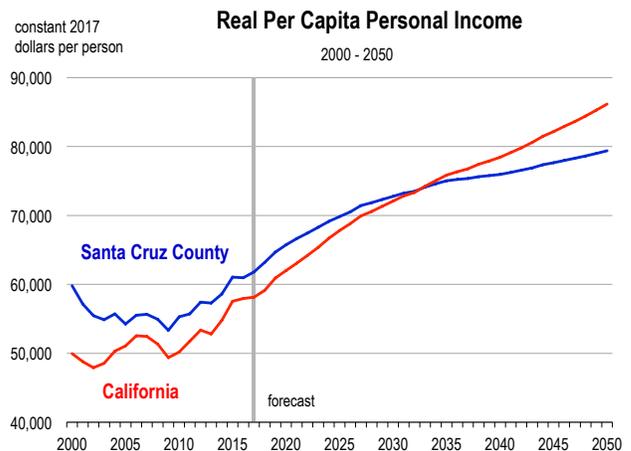
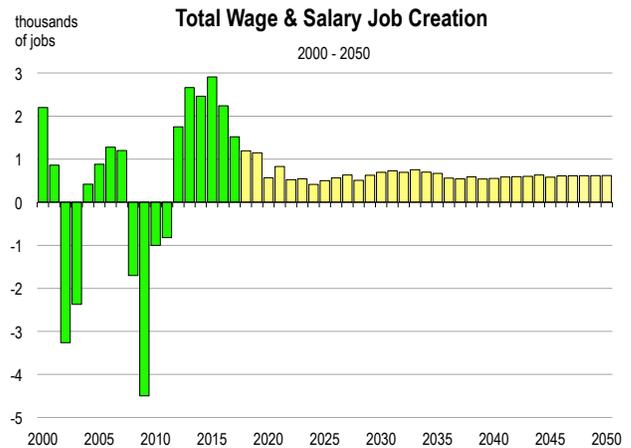
SANTA CRUZ COUNTY ECONOMIC FORECAST

For most of the current business cycle, the Santa Cruz County economy created jobs at a rapid rate. But job creation has now begun to decelerate. In 2017 the county gained 1,500 jobs, representing a growth rate of 1.4 percent. By comparison, statewide growth was observed at 2.0 percent.

The best performing industries in the county were professional business services, healthcare, and government. In 2017, hundreds of jobs were created in high skill sectors like accounting, IT consulting, and corporate management. Hundreds more were gained at doctors offices, outpatient care facilities, and home health centers. And one of the largest increases was observed at public colleges and universities.

Construction activity is also accelerating, and more than 300 new homes were built in 2017. But housing production is still not keeping pace with population growth, and housing affordability is becoming a major problem. Mortgage payments on a median-priced home now top \$3,200 per month, which is more than half of pre-tax income for most households. By comparison, housing costs are typically less than 25 percent of income across the inland areas of California. These disparities in housing costs are deterring people from moving to Santa Cruz County, leading to population growth that is now well below the statewide average.

The Santa Cruz County unemployment rate has improved sharply, falling from 7.0 percent in 2016 to 5.7 percent in 2017. By the end of 2018, the local economy will have reached a “full employment” scenario, meaning that almost everyone who wants a job will already have a job. Under such conditions, job creation is expected to decelerate, and further improvements in the unemployment rate will be minimal.



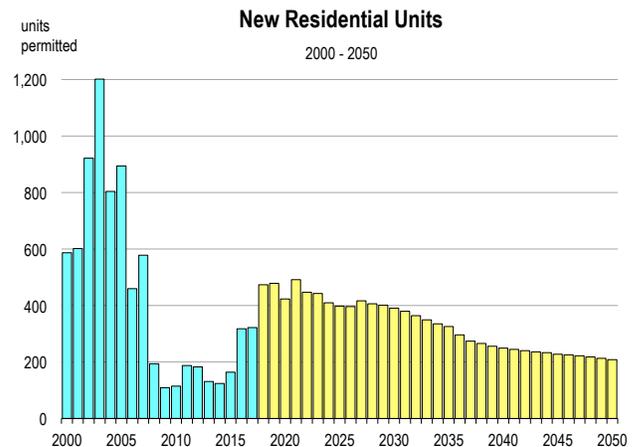
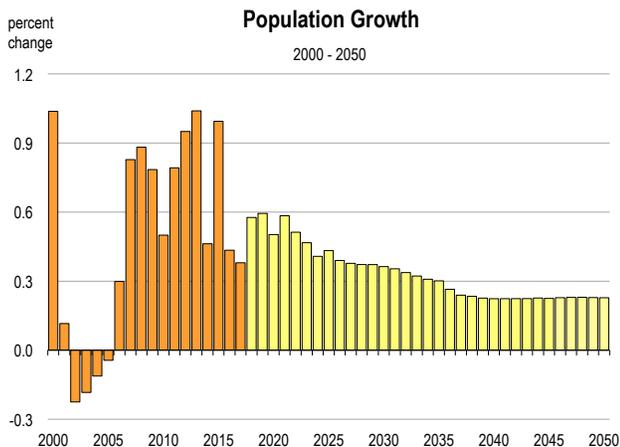
FORECAST HIGHLIGHTS

- In 2018, total employment will increase by 1.1 percent. From 2018 to 2023, employment growth is expected to average 0.6 percent per year.
- The largest employment gains will be observed in professional services, education and healthcare, leisure services, and government. Together, these sectors will account for 79 percent of net job creation during the 2018-2023 period.
- Average salaries are currently below the California average, and will remain so over the foreseeable future. In Santa Cruz County, inflation-adjusted salaries are expected to rise by an average of 1.9 percent per year between 2018 and 2023, which will be similar to statewide growth.
- Over the forecast period, an average of 460 homes will be authorized per year. Just over half will be single-family homes, while the rest will be multifamily units.
- The population is expected to increase by 0.5 percent annually through 2023. An average of 320 net migrants will enter the county each year, accounting for 22 percent of all population growth.

Santa Cruz County Economic Forecast

2010-2017 History, 2018-2050 Forecast

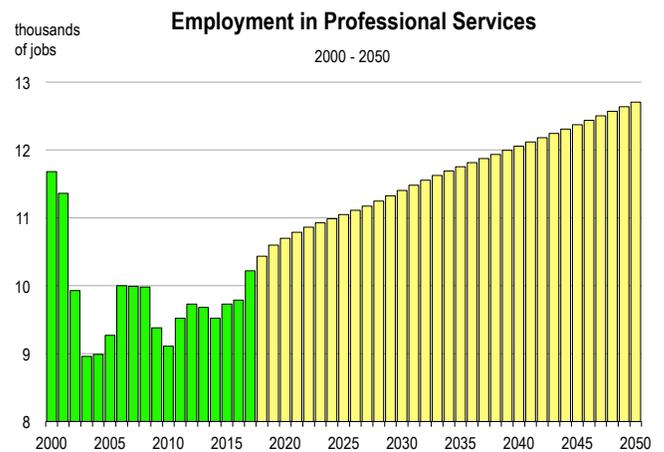
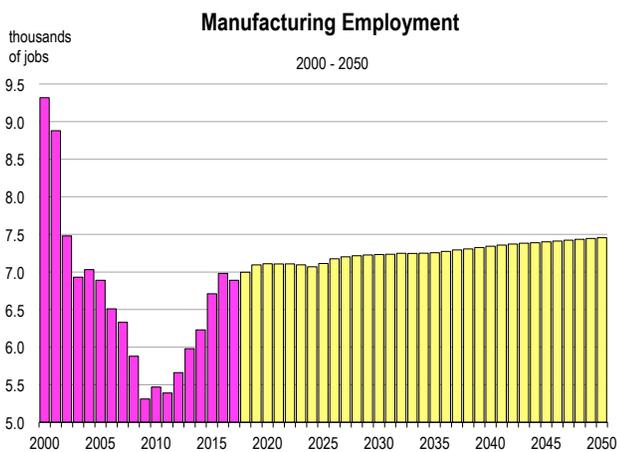
	Population (people)	Net Migration (people)	Registered Vehicles (thousands)	Households (thousands)	New Homes Permitted (homes)	Total Taxable Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Inflation Rate (% change in CPI)	Real Farm Crop Value (billions)	Real Industrial Production (billions)	Unemploy- ment Rate (percent)
2010	263,220	-276	242.9	94.3	115	\$2.7	\$12.6	\$55,306	1.3	0.62	1.38	13.3
2011	265,305	535	241.5	94.5	188	\$2.9	\$13.1	\$55,726	2.7	0.64	1.30	13.1
2012	267,826	1,037	241.0	95.1	183	\$3.1	\$13.9	\$57,422	2.7	0.63	1.40	11.8
2013	270,609	1,531	249.4	96.2	131	\$3.3	\$14.2	\$57,284	2.3	0.65	1.51	10.3
2014	271,860	89	252.8	96.6	124	\$3.4	\$14.9	\$58,614	2.8	0.66	1.62	8.8
2015	274,563	1,439	257.4	97.0	164	\$3.5	\$15.9	\$61,044	2.6	0.66	1.78	7.5
2016	275,754	20	263.7	97.0	318	\$3.6	\$16.3	\$60,973	3.1	0.66	1.86	7.0
2017	276,801	-133	262.3	97.3	322	\$3.8	\$17.1	\$61,809	3.2	0.66	1.87	5.7
2018	278,397	425	263.8	97.7	474	\$3.9	\$18.1	\$63,185	3.7	0.66	1.96	5.1
2019	280,051	476	265.1	98.2	479	\$4.0	\$19.1	\$64,702	3.1	0.67	1.98	4.7
2020	281,457	223	266.0	98.7	423	\$4.2	\$20.1	\$65,728	4.1	0.68	2.00	4.7
2021	283,101	463	266.7	99.1	492	\$4.4	\$21.1	\$66,646	3.6	0.68	2.04	4.8
2022	284,551	284	266.9	99.6	447	\$4.6	\$22.1	\$67,453	3.5	0.69	2.08	4.9
2023	285,880	175	266.9	100.1	443	\$4.8	\$23.0	\$68,298	3.4	0.69	2.12	5.1
2024	287,045	34	266.7	100.5	410	\$4.9	\$24.0	\$69,141	3.3	0.70	2.16	5.3
2025	288,287	144	266.2	101.0	398	\$5.1	\$24.9	\$69,815	3.1	0.70	2.21	5.3
2026	289,410	58	265.7	101.4	396	\$5.3	\$25.8	\$70,532	3.1	0.71	2.27	5.4
2027	290,502	58	265.2	101.8	417	\$5.5	\$26.9	\$71,439	3.0	0.71	2.31	5.4
2028	291,583	76	264.8	102.2	406	\$5.7	\$27.8	\$71,848	3.3	0.72	2.36	5.4
2029	292,667	104	264.6	102.7	401	\$5.9	\$28.7	\$72,303	3.1	0.72	2.41	5.4
2030	293,729	119	264.4	103.1	391	\$6.1	\$29.6	\$72,770	3.0	0.73	2.46	5.4
2031	294,768	126	264.6	103.5	380	\$6.4	\$30.6	\$73,244	2.9	0.73	2.51	5.4
2032	295,762	124	265.0	103.9	364	\$6.7	\$31.5	\$73,508	3.1	0.74	2.56	5.4
2033	296,714	134	265.5	104.3	349	\$6.9	\$32.4	\$74,104	2.7	0.74	2.61	5.4
2034	297,629	131	266.1	104.7	335	\$7.2	\$33.5	\$74,599	2.9	0.75	2.66	5.3
2035	298,525	125	267.0	105.0	326	\$7.5	\$34.5	\$75,050	3.0	0.75	2.71	5.3
2036	299,315	69	267.9	105.4	296	\$7.7	\$35.6	\$75,222	3.4	0.76	2.77	5.3
2037	300,031	62	268.6	105.7	274	\$8.0	\$36.7	\$75,352	3.5	0.76	2.83	5.3
2038	300,733	66	269.4	106.0	266	\$8.3	\$37.8	\$75,629	3.3	0.77	2.89	5.3
2039	301,413	52	270.3	106.3	256	\$8.5	\$39.0	\$75,780	3.5	0.77	2.96	5.3
2040	302,087	51	271.3	106.6	249	\$8.8	\$40.2	\$75,960	3.4	0.78	3.02	5.3
2041	302,763	53	272.3	106.9	245	\$9.1	\$41.4	\$76,240	3.2	0.78	3.09	5.3
2042	303,441	48	273.5	107.1	240	\$9.3	\$42.6	\$76,559	3.1	0.79	3.15	5.3
2043	304,121	43	274.8	107.4	236	\$9.6	\$43.9	\$76,912	3.0	0.79	3.22	5.3
2044	304,811	40	276.1	107.7	233	\$9.9	\$45.1	\$77,367	2.8	0.80	3.29	5.3
2045	305,496	22	277.3	107.9	228	\$10.1	\$46.4	\$77,663	3.0	0.80	3.36	5.2
2046	306,193	21	278.4	108.2	225	\$10.4	\$47.7	\$77,987	2.9	0.81	3.43	5.2
2047	306,895	15	279.4	108.4	222	\$10.7	\$49.0	\$78,298	2.9	0.81	3.50	5.2
2048	307,601	9	280.5	108.7	218	\$11.0	\$50.3	\$78,632	2.9	0.82	3.58	5.2
2049	308,304	3	281.5	108.9	213	\$11.2	\$51.8	\$78,994	2.9	0.82	3.65	5.2
2050	309,007	-4	282.3	109.2	208	\$11.6	\$53.2	\$79,385	2.9	0.83	3.73	5.2

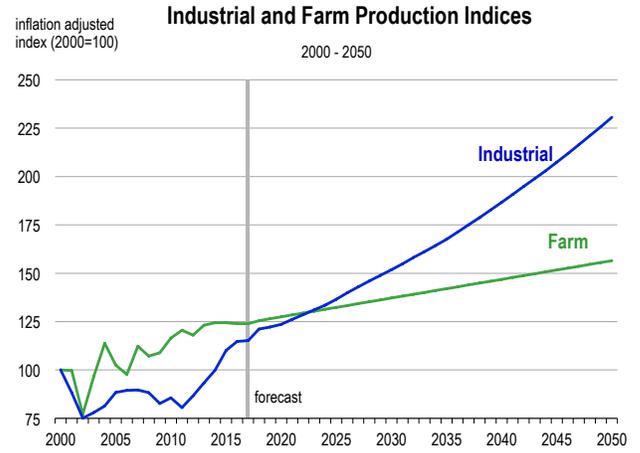
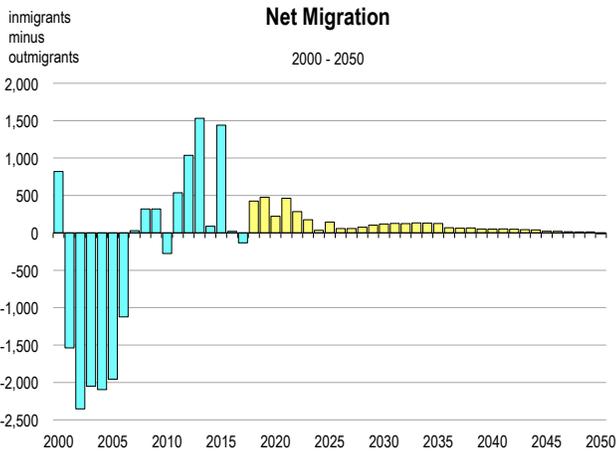
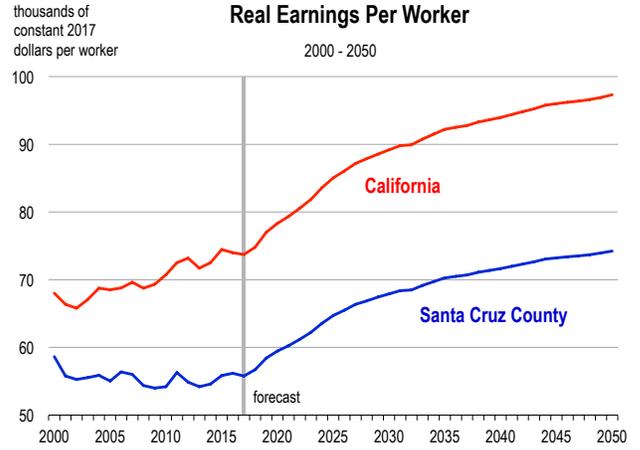
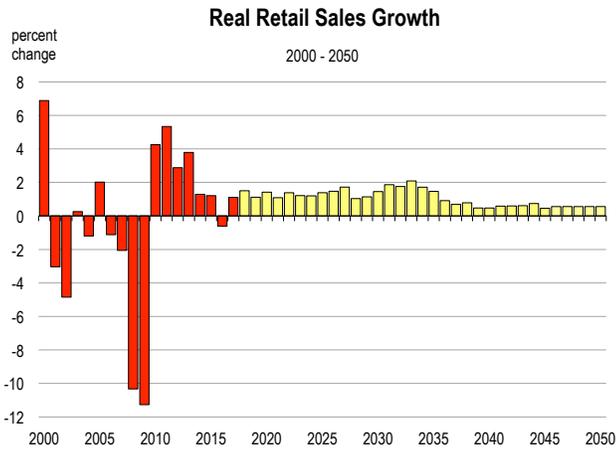


Santa Cruz County Employment Forecast

2010-2017 History, 2018-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufacturing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	-----employment (thousands of jobs)-----											
2010	97.6	9.6	3.0	5.5	1.5	14.9	3.3	9.1	0.9	15.1	10.9	20.3
2011	96.8	8.6	2.9	5.4	1.5	14.7	3.1	9.5	0.9	15.4	11.1	20.3
2012	98.6	8.4	3.0	5.7	1.4	14.8	3.2	9.7	0.8	15.8	11.6	20.4
2013	101.2	8.3	3.2	6.0	1.4	15.0	3.4	9.7	0.8	16.5	12.2	20.6
2014	103.7	8.5	3.4	6.2	1.3	15.3	3.5	9.5	0.8	16.9	12.9	21.1
2015	106.6	8.3	3.7	6.7	1.5	15.5	3.5	9.7	0.8	17.3	13.6	21.4
2016	108.8	8.4	4.4	7.0	1.5	15.8	3.6	9.8	0.8	17.3	13.9	21.7
2017	110.4	8.2	4.6	6.9	1.6	15.6	3.5	10.2	0.8	17.9	14.1	22.2
2018	111.6	8.2	4.7	7.0	1.6	15.6	3.5	10.4	0.8	18.1	14.4	22.2
2019	112.7	8.2	4.6	7.1	1.6	15.7	3.6	10.6	0.8	18.4	14.6	22.6
2020	113.3	8.2	4.5	7.1	1.6	15.8	3.6	10.7	0.8	18.5	14.6	22.8
2021	114.1	8.2	4.6	7.1	1.6	15.9	3.6	10.8	0.8	18.7	14.8	23.0
2022	114.6	8.2	4.5	7.1	1.6	16.0	3.6	10.9	0.8	18.8	15.0	23.0
2023	115.2	8.2	4.5	7.1	1.6	16.1	3.6	10.9	0.8	19.0	15.1	23.0
2024	115.6	8.2	4.4	7.1	1.6	16.2	3.6	11.0	0.8	19.1	15.2	23.1
2025	116.1	8.2	4.4	7.1	1.6	16.3	3.6	11.0	0.8	19.3	15.3	23.1
2026	116.6	8.2	4.4	7.2	1.6	16.5	3.6	11.1	0.8	19.4	15.3	23.2
2027	117.3	8.2	4.4	7.2	1.6	16.7	3.6	11.2	0.8	19.6	15.4	23.3
2028	117.8	8.2	4.4	7.2	1.6	16.8	3.6	11.2	0.8	19.8	15.5	23.4
2029	118.4	8.2	4.4	7.2	1.6	16.9	3.6	11.3	0.8	20.0	15.5	23.5
2030	119.1	8.2	4.4	7.2	1.6	17.0	3.6	11.4	0.8	20.3	15.6	23.6
2031	119.8	8.2	4.3	7.2	1.6	17.2	3.6	11.5	0.8	20.5	15.7	23.7
2032	120.5	8.2	4.3	7.2	1.6	17.4	3.6	11.6	0.8	20.7	15.8	23.8
2033	121.3	8.2	4.3	7.2	1.6	17.6	3.6	11.6	0.8	20.9	15.9	23.9
2034	122.0	8.2	4.3	7.2	1.6	17.8	3.6	11.7	0.8	21.1	16.0	24.0
2035	122.6	8.1	4.3	7.3	1.6	18.0	3.6	11.8	0.8	21.4	16.1	24.1
2036	123.2	8.1	4.3	7.3	1.6	18.1	3.6	11.8	0.8	21.6	16.2	24.2
2037	123.7	8.1	4.3	7.3	1.6	18.1	3.6	11.9	0.8	21.8	16.3	24.3
2038	124.3	8.1	4.3	7.3	1.6	18.2	3.6	11.9	0.8	22.0	16.4	24.4
2039	124.9	8.1	4.3	7.3	1.6	18.3	3.6	12.0	0.8	22.3	16.5	24.4
2040	125.4	8.0	4.3	7.3	1.6	18.4	3.6	12.1	0.8	22.5	16.6	24.5
2041	126.0	8.0	4.3	7.4	1.6	18.4	3.6	12.1	0.8	22.7	16.6	24.6
2042	126.6	8.0	4.3	7.4	1.6	18.5	3.6	12.2	0.8	22.9	16.7	24.7
2043	127.2	8.0	4.3	7.4	1.6	18.6	3.6	12.2	0.8	23.2	16.8	24.8
2044	127.8	7.9	4.3	7.4	1.6	18.7	3.6	12.3	0.8	23.4	16.9	24.9
2045	128.4	7.9	4.3	7.4	1.6	18.8	3.6	12.4	0.8	23.6	17.0	25.0
2046	129.0	7.9	4.3	7.4	1.6	18.8	3.6	12.4	0.8	23.9	17.1	25.2
2047	129.6	7.8	4.3	7.4	1.6	18.9	3.6	12.5	0.8	24.1	17.2	25.3
2048	130.3	7.8	4.3	7.4	1.6	19.0	3.6	12.6	0.8	24.3	17.3	25.4
2049	130.9	7.8	4.3	7.4	1.6	19.1	3.6	12.6	0.8	24.6	17.4	25.5
2050	131.5	7.7	4.3	7.5	1.6	19.2	3.6	12.7	0.8	24.8	17.5	25.6





County Economic and Demographic Indicators

Projected Economic Growth (2018-2023)

Expected retail sales growth:	6.4%
Expected job growth:	3.2%
Fastest growing jobs sector:	Leisure Services
Expected personal income growth:	11.0%

Expected population growth:	2.2%
Net migration to account for:	21.7%
Expected growth in number of vehicles:	1.1%

Demographics (2018)

Unemployment rate (April 2018):	5.4%
County rank* in California (58 counties):	37th
Working age (16-64) population:	67.2%

Population with B.A. or higher:	37.8%
Median home selling price (2017):	\$663,000
Median household income:	\$68,975

Quality of Life

Violent crime rate (2016):	381 per 100,000 persons
County rank* in California (58 counties):	30th
Average commute time to work (2018):	29 minutes

High School drop out rate (2017):	7.0%
Households at/below poverty line (2018):	9.1%

* The county ranked 1st corresponds to the lowest rate in California